

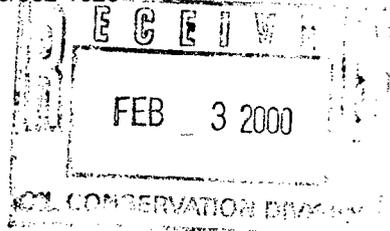
DHC 2/23/00

Mid-Continent Region
Production United States

2646



P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626



February 1, 2000

Mr. David Catanach
Oil Conservation Department
Energy and Minerals Department
P.O. Box 2088
Santa Fe, New Mexico 87501

**RE: Request for Exception to Rule 303-A
Downhole Commingling
Ohio 'C' Government No. 5
1450' FNL & 950' FEL
Unit Letter "H", Section 26, Township 28-N, Range 11-W
Kutz Fruitland Sand and Fulcher Kutz Pictured Cliffs
Kutz Canyon Field
San Juan County, New Mexico**

Dear Mr. Catanach:

Marathon Oil Company requests administrative approval for an exception to Rule 303-A to permit the downhole commingling of production in the above subject well from the Kutz Fruitland Sand and Fulcher Kutz Pictured Cliffs pools in San Juan County, New Mexico. Marathon also requests a 30 day exception to Rule 303-A to permit the downhole commingling of production while awaiting for approval of this application. If this application is not approved, then the well will remain as a dual producer from the two pools.

Both pools represent marginal production. The well was drilled and dually completed in the Kutz Fruitland Sand and the Fulcher Kutz Pictured Cliffs in January, 1978. In December 1998, the Pictured Cliffs perforations were acidized and the well was returned to production from the two zones. Plans are to downhole commingle the two pools. By downhole commingling the production from these two zones, production will be realized that could not economically justify the cost of equipment to separate the zones. Rod pumping equipment will be utilized to keep the PBHP as low as possible. Producing the well in this manner will allow complete development of the productive capacity of the well, prevent crossflow and extend the economic life of both completions, thereby preventing waste.

Enclosed is pertinent data to support this application as outlined in Rule 303-A. If additional information is necessary, please contact me at (915) 687-8268.

Sincerely,

Tim L. Chase
Advanced Engineer Technician

REQUEST FOR EXCEPTION TO RULE 303-A
Ohio 'C' Government No. 5, Kutz Canyon Field

A: Operator

Marathon Oil Company
P.O. Box 552, Midland, Texas 79702-0552

B: Lease Name and Well Number

Ohio Government 'C' No. 5
1450' FNL & 950' FEL, Unit Letter "H", Section 26, Township 28-N, Range 11-W
Kutz Canyon Field, San Juan County, New Mexico
Kutz Fruitland Sand, Fulcher Kutz Pictured Cliffs

C: Plats and Offset Operators

Plat attached. Offset operator list not attached since offset operators no longer need to be notified.

D: C-116's

None available. PI reports attached.

E: Production Decline Curves

Attached

F: Estimated Current Bottomhole Pressures (PSI)

Kutz Fruitland Sand = 300; Fulcher Kutz Pictured Cliffs = 325

G: Product Characteristics

Previous commingling of these zones by Marathon and other operators in this area have shown that the produced fluids are compatible and commingling will not cause formation damage.

H: Value

Marathon receives the same price for product from these zones, so value won't be adversely affected.

I: Production Allocation

<u>POOL</u>	<u>BOPD</u>	<u>MCFPD</u>	<u>BWPD</u>	<u>Estimation Methods</u>
Kutz Fruitland Sand	0	12	0	Current Production
Fulcher Kutz PC	0	15	0	Current Production
Total	0	27	0	

<u>Allocated %</u>	<u>Oil %</u>	<u>Gas %</u>	<u>Water %</u>
Kutz Fruitland Sand	0.00	44.44	0.00
Fulcher Kutz Pictured Cliffs	0.00	55.56	0.00
Total	0.00	100.00	0.00

Actual allocation will be determined from post-workover rates.

J: Ownership

Ownership of all zones is common and correlative rights will not be compromised.

K: Offset Operator Notification

Offset operators are not provided with a copy of this application since they no longer need to be.


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Entity      : OHIO C GOVT (006448)           Product: GAS
Field       : FULCHER KUTZ (22300)          Start  : 197805
Reservoir  : PICTURED CLIFFS (631)          Stop   : 199908
Operator   : MARATHON OIL COMPANY (21224)    Status : ACTIVE
Location   : S26 T28N R11W H SAN JUAN        Dist   : AZTEC
Basin      : SAN JUAN (580)                  Well#  : 5
Zone       : PICTURED CLIFFS (604PCCF)       Lat    : 36.63641
API        : 30045227050000                 Lng    : 107.96688

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Well Information

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API	Well Number	Total Depth	Upper Perf	Lower Perf	BHP	Well Type	Dev. Shale	Tight HRZ	Sand
30045227050000	5	1757	1650	1668		PRORATED	NO	NO	NO

Test Information

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Well Nbr	Test Date	Upper Perf	Lower Perf	Gas MCFD	Liq BPD	Wtr BPD	GOR	Pressures SITP	FTP	Liq Grav	Gas Grav	IP
5	19780124	1650	1668	690	0.0				47	0.0	0.000	IP
5	19800506	1650	1668	129	0.0			186	149	0.0	0.000	
5	19810519	1650	1668	117	0.0			198	178	0.0	0.000	
5	19831121	1650	1668	176	0.0			180	156	0.0	0.000	

Monthly Production

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Year	Gas (MCF)	Liq (BBLs)	Wtr (BBLs)	Gas Trans	Liq Trans	Active Wells	Days On
1999 CUM	810992		1004				
1999 JAN	890			EPG		1	31
1999 FEB	1217			EPG		1	28
1999 MAR	876			EPG		1	31
1999 APR	576			EPG		1	30
1999 MAY	595			EPG		1	31
1999 JUN	912			EPG		1	30
1999 JUL	670			EPG		1	31
1999 AUG	363			EPG		1	31
1999 SEP							
1999 OCT							
1999 NOV							
1999 DEC							
1999 ANN	6099	0	0				

=====

Entity	: OHIO C GOVT (006448)	Product:	GAS
Field	: KUTZ (30700)	Start	: 197806
Reservoir:	FRUITLAND (610)	Stop	: 199908
Operator	: MARATHON OIL COMPANY (21224)	Status	: ACTIVE
Location	: S26 T28N R11W H SAN JUAN	Dist	: AZTEC
Basin	: SAN JUAN (580)	Well#	: 5
Zone	: FRUITLAND (604FRLD)	Lat	: 36.63641
API	: 30045227050000	Lng	: 107.96688

Well Information

=====

API	Well Number	Total Depth	Upper Perf	Lower Perf	BHP	Well Type	Dev. Shale	Tight HRZ	Sand
30045227050000	5	1757	1424	1434		PRORATED	NO	NO	NO

Test Information

=====

Well Nbr	Test Date	Upper Perf	Lower Perf	Gas MCFD	Liq BPD	Wtr BPD	GOR	Pressures SITP	FTP	Liq Grav	Gas Grav	Mt
5	19780124	1424	1434	1134	0.0					0.0	0.000	IP
5	19800506	1424	1434	35	0.0			218	148	0.0	0.000	

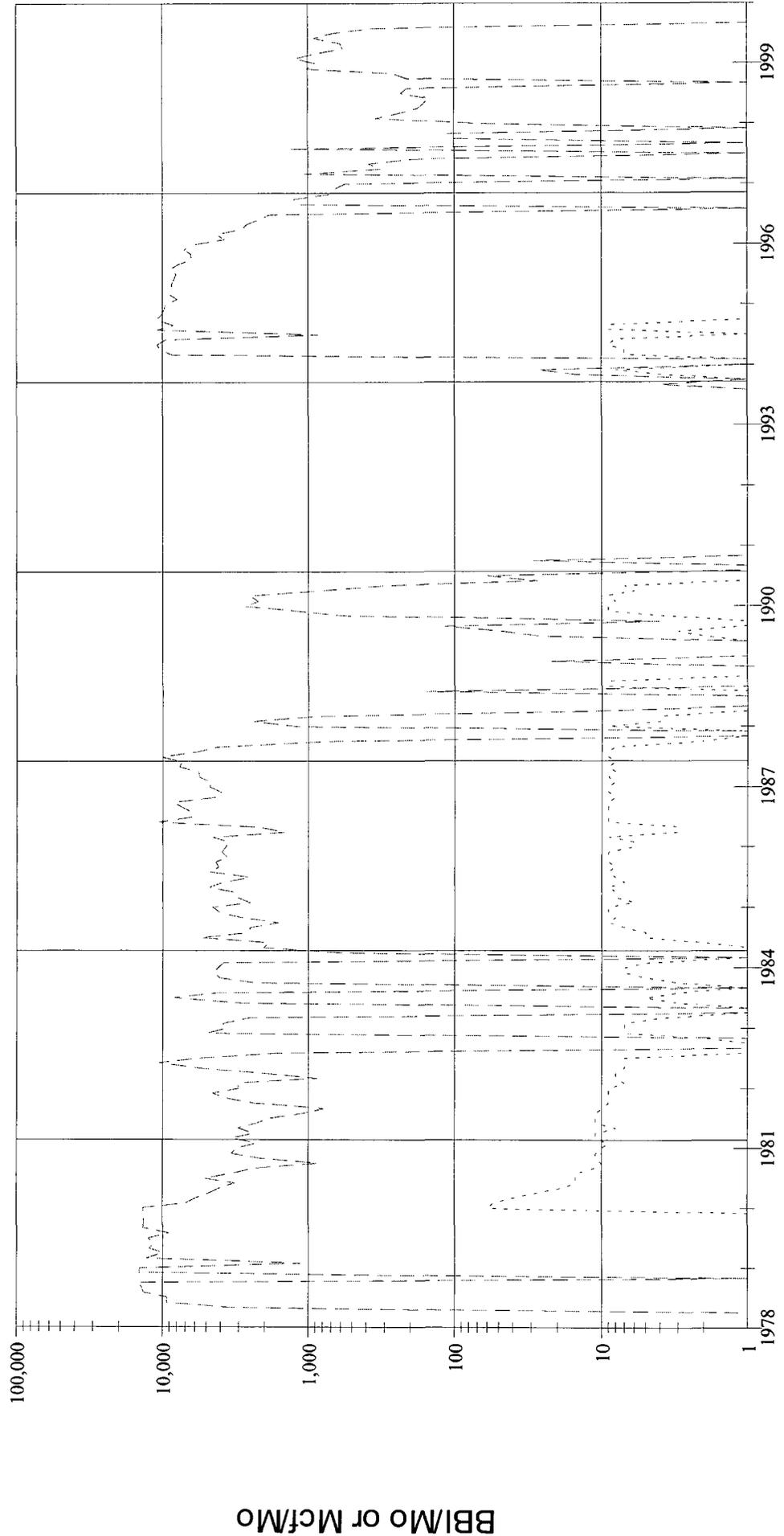
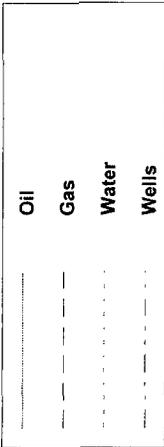
Monthly Production

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Year	Gas (MCF)	Liq (BBLs)	Wtr (BBLs)	Gas Trans	Liq Trans	Active Wells	Days On
1999 CUM	164991			7			
1999 JAN	475			EPG		1	31
1999 FEB	320			EPG		1	28
1999 MAR	466			EPG		1	31
1999 APR	380			EPG		1	30
1999 MAY	473			EPG		1	31
1999 JUN	348			EPG		1	30
1999 JUL	295			EPG		1	31
1999 AUG	474			EPG		1	31
1999 SEP							
1999 OCT							
1999 NOV							
1999 DEC							
1999 ANN	3231	0		0			

Field: FULCHER KUTZ PICTURED CLIFFS
Lease: OHIO 'C' GOVERNMENT Well #5
Operator: MARATHON OIL COMPANY

Production Rate vs Time
 For the Period 01/1978 to 12/1999 | API: 30045227050000

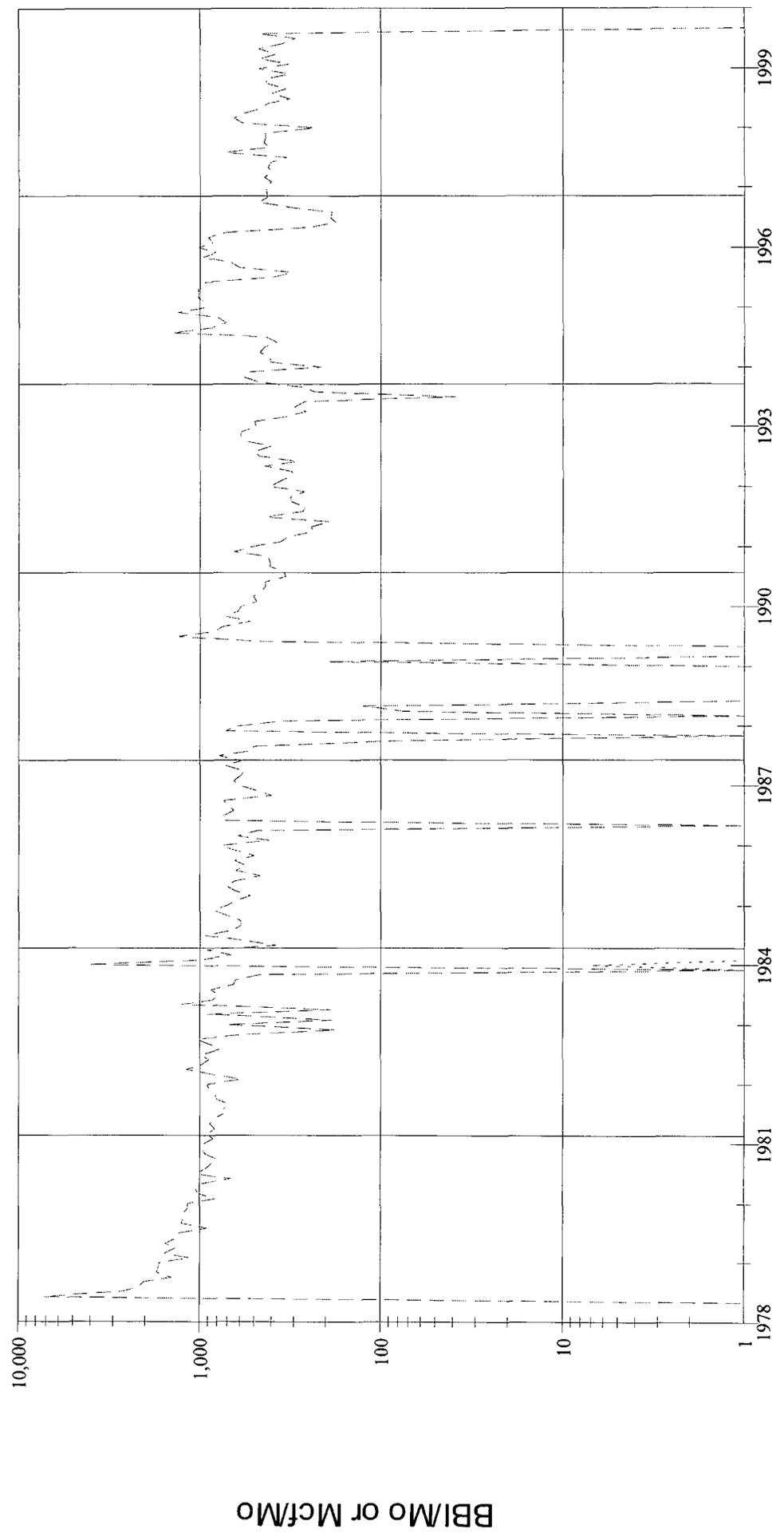
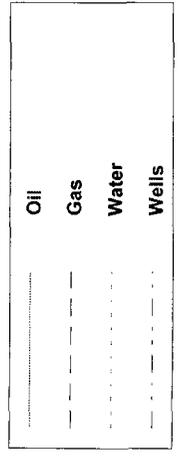


Time

Reported Oil Production = 0 Bbls
 Reported Gas Production = 817,091 Mcf
 Reported Water Production = 1,004 Bbls

Field: KUTZ FRUITLAND SAND
Lease: OHIO 'C' GOVERNMENT Well #5
Operator: MARATHON OIL COMPANY

Production Rate vs Time
 For the Period 01/1978 to 12/1999 | API: 30045227050000



BBl/Mo or Mcf/Mo

Time

Reported Oil Production = 0 Bbls
 Reported Gas Production = 168,222 Mcf
 Reported Water Production = 7 Bbls

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator Marathon Oil Company		Lease Ohio "C" Government		Well No. 5
Unit Letter H	Section 26	Township 28 North	Range 11 West	County San Juan

Actual Footage Location of Well:

1450 feet from the **North** line and **950** feet from the **East** line

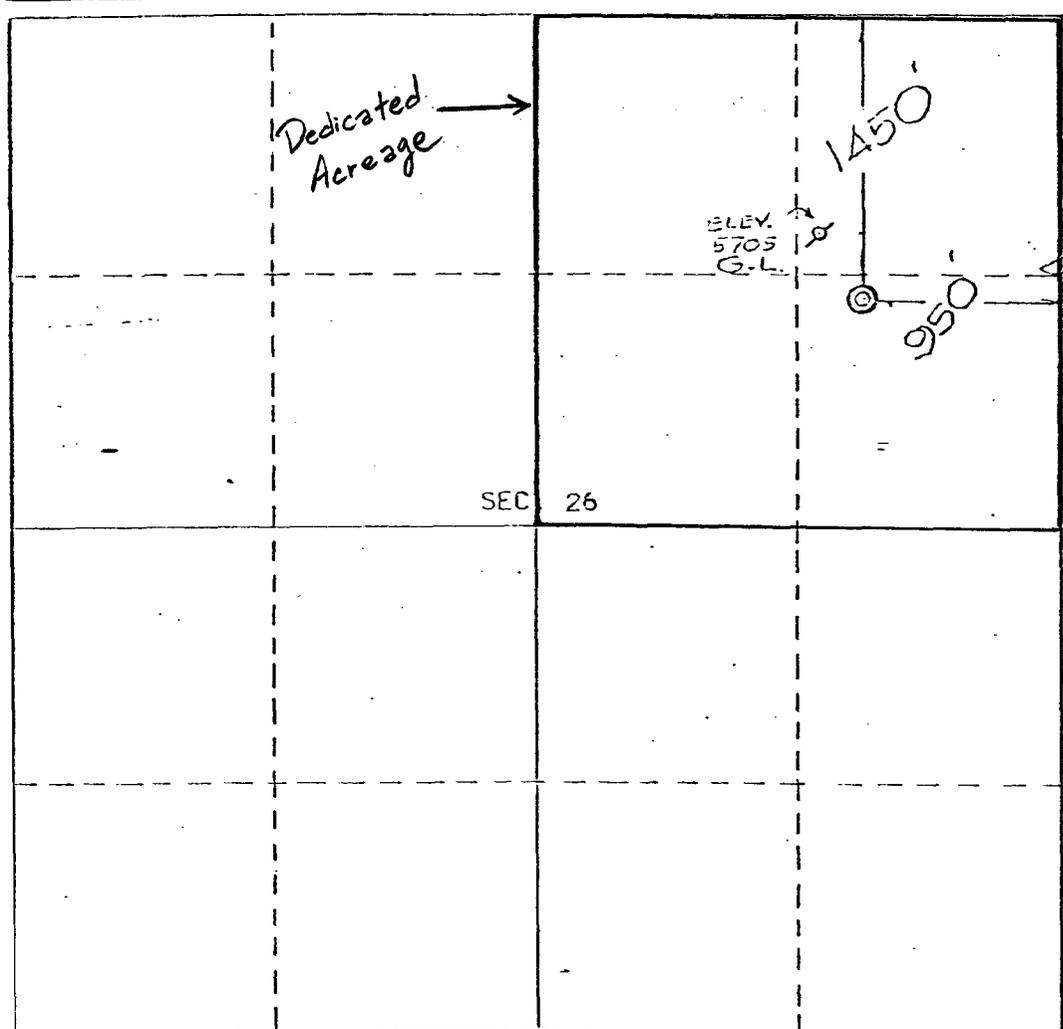
Ground Level Elev. 5685	Producing Formation Fulcher Kutz-Pictured Cliffs Sand	Pool Fulcher Kutz - Pictured Cliffs	Dedicated Acreage: 160 Acres
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- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation NA

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

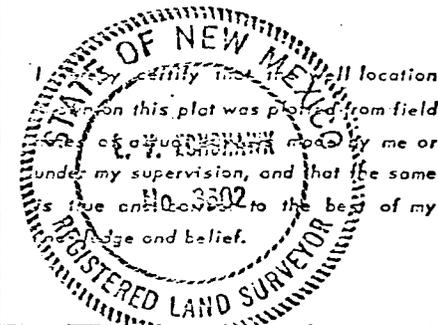
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

James L. Campbell
Name

James L. Campbell
Position
District Operations Manager

Company
Marathon Oil Company

Date
August 22, 1977



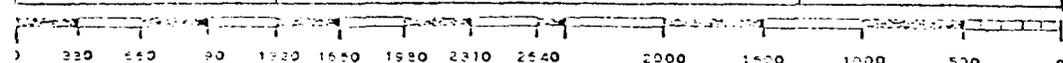
Date Surveyed
August 4, 1977

Registered Professional Engineer and/or Land Surveyor

E. V. Echohawk

Certificate No. 3602

E.V. Echohawk LS



NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION AT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section

Operator Marathon Oil Company		Lease Ohio "C" Government		Well No. 5
Unit Letter H	Section 26	Township 28 North	Range 11 West	County San Juan

Actual Footage Location of Well:
1450 feet from the North line and 950 feet from the East line

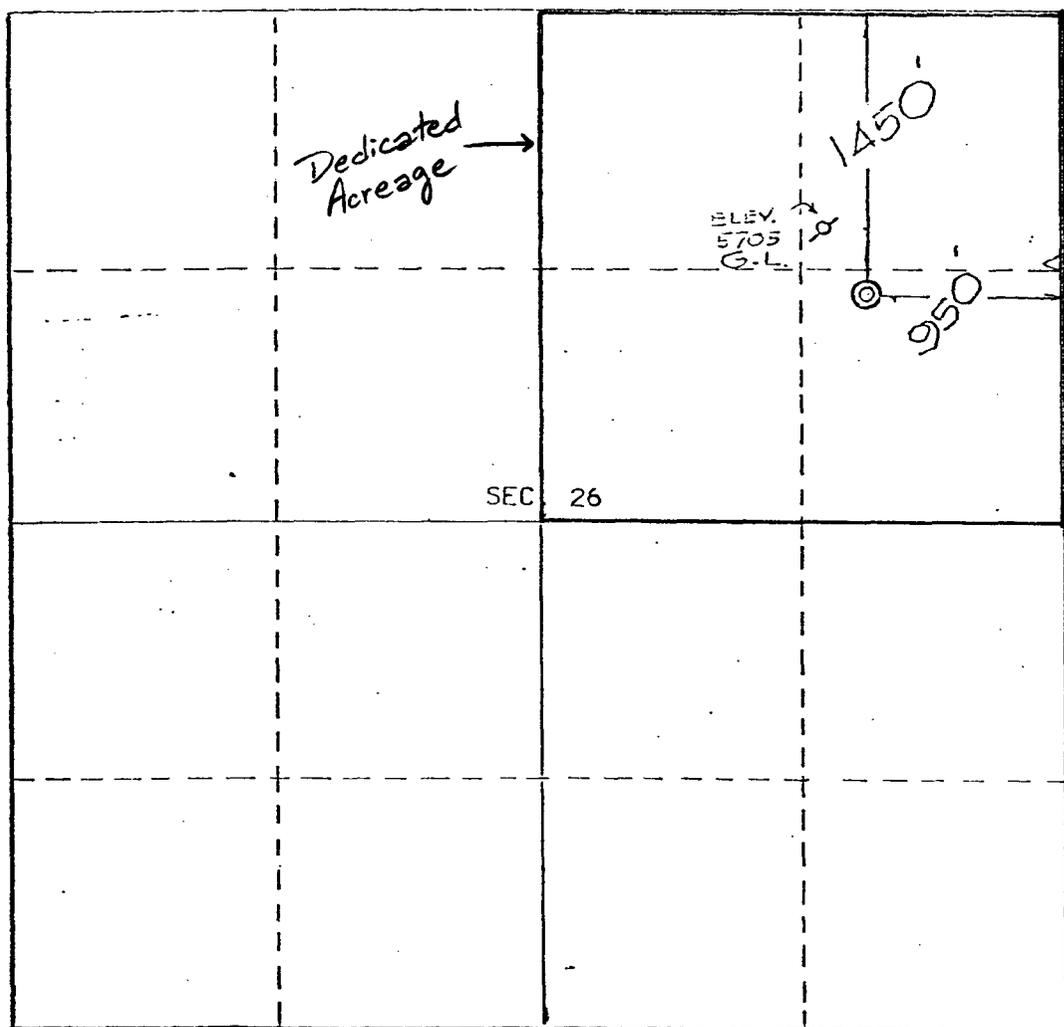
Ground Level Elev. 5685	Producing Formation Kutz Fruitland Sand	Pool Kutz Fruitland	Dedicated Acreage 160 Acres
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1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation NA

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

James L. Campbell
Name

James L. Campbell
Position
District Operations Manager

Company
Marathon Oil Company

Date
August 22, 1977

STATE OF NEW MEXICO
REGISTERED LAND SURVEYOR
No. 3602
I certify that the location of this plot was plotted from field notes of E. V. ECHOHAWK made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
August 4, 1977

Registered Professional Engineer and/or Land Surveyor

E. V. Echohawk
Certificate No. 3602

E.V. Echohawk LS

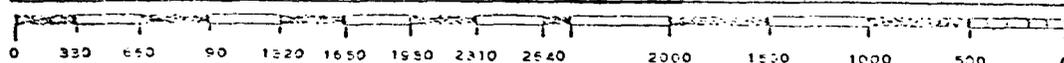


EXHIBIT "B" - CASE NO. 11353, ORDER NO. R-10470-A

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

FORM C-107-A
New 3-12-96

DISTRICT II
911 S. 1st, Artesia, NM 86210

OIL CONSERVATION DIVISION
2040 S. Pacheco, Santa Fe, NM 87505-6429

APPROVAL PROCESS:
 Administrative Hearing

DISTRICT III
1000 Rio Brazos, Aztec, NM 87410

APPLICATION FOR DOWNHOLE COMMINGLING

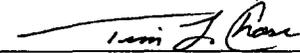
EXISTING WELLBORE
 Yes No

Marathon Oil Company	P.O. Box 552	Midland, Tx 79702
OPERATOR	ADDRESS	
Ohio 'C' Government	5	Sec 26, T-28N, R-11W, UL "H"
LEASE	WELL NO.	SECTION, TOWNSHIP, RANGE, UNIT LETTER COUNTY
		San Juan
<small>SPACING UNIT LEASE TYPES: (CHECK 1 OR MORE)</small>		
OGRID NO. 151618	PROPERTY CODE 6448	API NO. 30-045-22705
		Federal <input checked="" type="checkbox"/> State <input type="checkbox"/> (and/or) Fee <input type="checkbox"/>

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zones	Lower Zone
1. Pool Name & Pool Code	Kutz Fruitland Sand	N/A	Fulcher Kutz Pictured Cliffs
2. Top & Bottom of Pay Section (Perforations)	1424-1434'	N/A	1650-1668'
3. Type of production (Oil or Gas)	Gas	N/A	Gas
4. Method of Production (Flowing or Artificial Lift)	Artificial Lift	N/A	Artificial Lift
5. Bottomhole Pressure Oil Zones-Artificial Lift (Est Current)	a. (Current) 300	a. (Current) <u>N/A</u>	a. (Current) 325
	b. (Original) <u> </u>	b. (Original) <u>N/A</u>	b. (Original) <u> </u>
6. Oil Gravity (API) or Gas BTU Content	37 API	N/A	38 API
7. Producing or Shut-in?	Producing	N/A	Producing
Production Marginal? (yes or no)	Yes	N/A	Yes
* If Shut-in, give date and o/g/w rates of last production	Date: N/A Rates: N/A	Date: N/A Rates: N/A	Date: N/A Rates: N/A
Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.			
* If producing, give date and o/g/w rates of recent test (within 60 days)	Date: 12/15/99 Rates: 0/15/0	Date: N/A Rates: N/A	Date: 12/15/99 Rates: 0/12/0
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 0.00% Gas: 44.44% <u>44</u>	Date: N/A Rates: N/A	Oil: 0.00% Gas: 55.56% <u>56</u>

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.
10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
Have all offset operators been given written notice of the proposed downhole commingling? Yes No (no longer necessary)
11. Will crossflow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable? Yes No (If No, attach explanation)
12. Are all produced fluids from all commingled zones compatible with each other? Yes No
13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)
14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No
15. NMOCD Reference Cases For Rule 303(C) Exceptions: ORDER NO(S) _____
16. ATTACHMENTS:
- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
 - * Production curve for each zone for at least one year. (If not available, attach explanation.)
 - * For zones with no production history, estimated production rates and supporting data.
 - * Data to support allocation method or formula.
 - * Notification list of all offset operators. (no longer necessary)
 - * Notification list of all working, overriding, and royalty interests for uncommon interest cases.
 - * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE  TITLE Advanced Engineer Technician DATE 02/01/00
TYPE OR PRINT NAME TIM L. CHASE TELEPHONE NO. (915) 687-8268